

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Walker	County Kent
Audit Date 6/30/05	Opinion Date 12/2/05	Date Accountant Report Submitted to State: 12/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Hungerford, Aldrin, Nichols & Carter, PC

Street Address

2910 Lucerne Drive SE

City

Grand Rapids

State

MI

ZIP

49546

Accountant Signature

Hungerford, Aldrin, Nichols & Carter, P.C.

Date

12/29/05

CITY OF WALKER
Kent County, Michigan

Comprehensive Annual Financial Report

For the year ended June 30, 2005

CITY OF WALKER
Table of Contents

For the year ended June 30, 2005

Financial Section

<i>Independent Auditor's Report</i>	1
<i>Management's Discussion and Analysis</i>	3
<i>Basic Financial Statements</i>	11
Government-wide Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances	18
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	20
Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund.....	21
Major Streets Special Revenue Fund	23
Local Streets Special Revenue Fund.....	24
Improvement Revolving Special Revenue Fund	25
Ice and Fitness Program Special Revenue Fund.....	26
Proprietary Fund:	
Statement of Net Assets	27
Statement of Revenues, Expenses and Changes in Fund Net Assets	28
Statement of Cash Flows.....	29
Fiduciary Funds:	
Statement of Fiduciary Net Assets.....	30
Statement of Changes In Fiduciary Net Assets	31

CITY OF WALKER
Table of Contents (Continued)

For the year ended June 30, 2005

Component Units:

Combining Statement of Net Assets.....	32
Combining Statement of Activities	33
Combining Balance Sheet.....	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	35
Notes to Basic Financial Statements	36

Supplemental Information

Combining and Individual Fund Statements and Schedules:

Nonmajor Governmental Funds.....	59
Combining Balance Sheet.....	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	62
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Special Vice Investigation Special Revenue Fund	64
DDA Streetscape Maintenance Special Revenue Fund.....	65
DDA Parking Lot Special Revenue Fund	66
Agency Funds	67
Combining Schedule of Changes in Assets and Liabilities	68

Other Information:

Summary of 2004 Taxes Levied and Collected.....	71
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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

December 2, 2005

The City Commission
City of Walker
Kent County, Michigan

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Walker (the "City") as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the elected officials and management of the City. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Walker as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Walker. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Alden, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF WALKER
Management's Discussion and Analysis
June 30, 2005

As management of the City of Walker ("the City"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which immediately follow this section.

Financial Highlights

- The City's net assets decreased by \$52,142 (or less than 1%).
- Total expenses of the City's programs were \$17,198,069.
- Total revenues, including all program and general revenues, were \$17,145,927.
- At the close of the current year, the City's governmental funds reported combined ending fund balances of \$4,830,255, a decrease of \$462,682 from the prior year.
- At the end of the current year, unreserved undesignated fund balance for the General Fund was \$2,549,127, or 20 percent of total General Fund expenditures and transfers out.
- Total debt of the City decreased by \$641,871 (3.7 percent) during the current year.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the City:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *Government-wide financial statements* that provide both short-term and long-term information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the City, reporting the City's operations in more detail than the Government-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as City administration, court, public safety, public works, recreation and cultural, etc. were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

Government-wide Statements

The Government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

CITY OF WALKER
Management's Discussion and Analysis
June 30, 2005

The two Government-wide statements report the City's net assets, and how they have changed. Net assets - the difference between the City's assets and liabilities - is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the City's overall health, one should consider additional non-financial factors such as changes in the City's property tax-base and the condition of township buildings and other facilities.

In the Government-wide financial statements, the City's activities are presented as follows:

- *Governmental activities:* The City's basic services are included here, such as general government, public safety, public works, recreation and cultural and other services. State revenue sharing and income and property taxes finance most of these activities.

Government-Wide Financial Statements

The Statement of Net Assets provides financial information on the City as a whole.

	<u>2005</u>	<u>2004</u>
Assets		
Current assets	\$ 5,768,909	\$ 7,242,764
Noncurrent assets	<u>32,075,639</u>	<u>30,025,389</u>
Total Assets	<u>37,844,548</u>	<u>37,268,153</u>
Liabilities		
Current liabilities	3,874,194	2,844,235
Noncurrent liabilities	<u>15,421,027</u>	<u>15,822,449</u>
Total Liabilities	<u>19,295,221</u>	<u>18,666,684</u>
Net Assets		
Invested in capital assets, net of related debt	15,191,591	13,743,356
Restricted	1,372,793	2,393,758
Unrestricted	<u>1,984,943</u>	<u>2,464,355</u>
Total Net Assets	<u>\$ 18,549,327</u>	<u>\$ 18,601,469</u>

CITY OF WALKER
Management's Discussion and Analysis
June 30, 2005

The Statement of Activities presents changes in net assets from operating results:

	<u>2005</u>	<u>2004</u>
Program Revenues		
Charges for services	\$ 3,300,408	\$ 3,407,309
Operating grants and contributions	1,634,444	56,139
Capital grants and contributions	1,110,551	4,814,822
General Revenues		
Income taxes	7,410,922	7,387,763
Property taxes	1,353,104	1,151,484
State/intergovernmental revenue	2,088,709	1,772,944
Interest earnings	135,159	83,544
Gain (loss) on sale of capital assets	27,951	(216,680)
Other	84,679	19,014
Total Revenues	<u>17,145,927</u>	<u>18,585,724</u>
Expenses		
General government	4,511,028	4,549,121
Judicial court	851,564	781,767
Public safety	6,115,142	5,179,924
Public works	3,097,518	2,508,766
Recreation and cultural	1,851,962	1,945,815
Interest on long-term debt	770,855	768,911
Total Expenses	<u>17,198,069</u>	<u>15,734,304</u>
Increase (decrease) in net assets	(52,142)	2,851,420
Net Assets - Beginning of Year	<u>18,601,469</u>	<u>15,750,049</u>
Net Assets - End of Year	<u>\$ 18,549,327</u>	<u>\$ 18,601,469</u>

Financial Analysis of the City as a Whole

The City's financial position is the product of many factors. Growth during the year in property tax collections and a one-time accrual of state revenue sharing funds were the significant contributors to the operating revenue increase. A reduction in state revenue sharing reduced anticipated state shared revenues. Total net assets decreased by only \$52,142 during the year due to these revenue factors and close budgetary control of City expenses.

Income taxes accounted for most of the City's revenue, contributing about 43 cents of every dollar raised. Property taxes contributed 8 percent of revenues. Licenses, permits, fines and forfeitures and other user fees accounted for 9 percent of revenues; another 22 percent came from state and other intergovernmental sources, and the remainder from interest earnings and miscellaneous sources.

The City's expenses were predominantly related to public safety (35 percent); general government (26 percent); public works (18 percent) and recreational and cultural (11 percent). Interest on long-term debt totaled 4 percent of expenses for the year.

CITY OF WALKER
Management's Discussion and Analysis
June 30, 2005

Income tax revenues, our biggest source of revenue increased by approximately \$23,000 from 2003-04 to 2004-05. Property tax collections increased by approximately \$201,000. The City of Walker continues to grow in the construction of new industrial and commercial buildings and new single family housing. Commercial development increased by \$2,476,840 with six new permits. Industrial sites are being built in Walker for a total of \$2,584,550 in new building structures. Permits were issued for 114 new family homes totaling \$14,477,520.

The City continues to apply to the Michigan Department of Transportation for funding to improve roads.

The City's State shared revenue collections, our second largest revenue source, was reduced by the State of Michigan by approximately \$190,000 this year. The State continues to threaten an even larger decrease in the future. City staff is monitoring the activities of the State and will take measures necessary to account for any decreases.

Financial Analysis of the City's Funds

The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds - not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending on particular programs.

The City utilizes two kinds of funds:

- *Governmental funds:* Most of the City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the City-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds:* The City is the trustee, or fiduciary, for assets that belong to others, such as property taxes. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and/or paid to those to whom the assets belong. The City excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The City uses funds to record and analyze financial information. The City of Walker's funds are described as follows:

Major Funds

The *General Fund* is our primary operating fund. The General Fund had total revenues of \$12,659,268, transfers in of \$218,000, total expenditures of \$10,931,213, and transfers to other funds of \$1,526,805. It ended the fiscal year with a fund balance of \$2,549,127, up from \$2,129,877 at June 30, 2004.

The *Major and Local Streets Funds* collect distributions of motor vehicle highway taxes from the State of Michigan for use in maintaining City roads. The Funds had total revenues of \$1,657,141, total expenditures of \$2,307,477, including transfers for debt service, and transfers from the General Fund of \$75,000, resulting in a decrease in fund balances of \$575,336 from June 30, 2004. Fund balances at June 30, 2005 consisted of \$1,020,619 in the Major Streets Fund and \$171,964 in the Local Streets Fund.

CITY OF WALKER
Management's Discussion and Analysis
June 30, 2005

The *Improvement Revolving Fund* collects connection fees for sewer and water hookups to be used for the construction of extensions to the utility systems benefitting City residents. The Fund had total revenues of \$67,044, total expenditures of \$4,624 and net transfers out for debt service of \$14,198. It ended the year with a fund balance of \$512,374, up from \$464,352 at June 30, 2004.

The *Ice and Fitness Program Fund* operates the City's Ice and Fitness Center. The Fund had total revenues of \$1,032,490, transfers from the General Fund for debt service and operating costs of \$794,075, total expenditures of \$1,046,748 and transfers out for debt service of \$686,800. It ended the year with a fund balance of \$95,954, up from \$2,937 at June 30, 2004.

Nonmajor Funds

The *Special Vice Investigation Fund* collects fines and forfeitures for law enforcement use. Total revenues were \$55,017 and expenditures totaled \$79,300. It ended the year with a fund balance of \$208,985, down from \$233,268 at June 30, 2004.

The *Downtown Development Authority Streetscape Maintenance and Parking Lot Funds* collect special assessments from benefitting property owners to be used for street and parking lot improvements. Total revenues were \$147,877 and expenditures totaled \$125,800. The funds ended the year with a fund balance of \$90,822, up from \$68,745 at June 30, 2004.

The City operates eight *Debt Service Funds* which collect special assessments and transfers from other City Funds to be used for bond principal retirement and interest payments. Total revenues were \$174,795, total expenditures were \$1,761,152 and net transfers in from other funds were \$1,140,728. The ending fund balances totaled \$180,210, down from \$625,839 at June 30, 2004, as four funds were closed out during the fiscal year.

The *Department of Public Works Internal Service Fund* collects equipment rental fees from other City funds to be used for future maintenance and public safety vehicles and equipment. Total revenues were \$476,133 and expenses were \$770,406 for the year. It ended the year with a net assets of \$2,206,807, down from \$2,501,080 at June 30, 2004.

The *Pension Trust Fund* collects and disburses the annual pension contributions and benefits for the City, and invests and maintains the long-term pension assets reserved for current and future retired City employees. Net assets at June 30, 2005 totaled \$7,456,826 down from \$7,891,825 at June 30, 2004.

The *District Court, Trust, Tax, Flexible Spending and Other Fiduciary Funds* are operated as Agency Funds of the City. The assets of these funds are being held for the future payment to the governmental units and businesses and individuals entitled to the monies. Balances on hand at June 30, 2005 totaled \$1,784,206.

General Fund Budgetary Highlights

Each City department provides a budget amount at the beginning of the fiscal year. This amount is an expected expenditure amount for each department. Overall, the departments stayed well within their budgets, and the budget was not amended during the fiscal year.

CITY OF WALKER
Management's Discussion and Analysis
June 30, 2005

Capital Asset and Debt Administration

Capital Assets

By the end of 2004, the City had a \$41,617,928 investment in a broad range of capital assets, including land, land improvements, roads and sidewalks, buildings and improvements, vehicles and furniture and equipment. (More detailed information about capital assets can be found in the Notes to Basic Financial Statements.)

Capital asset purchases totaled \$1,828,801 for the fiscal year with accumulated depreciation increasing \$1,640,699. The net book value of capital assets at June 30, 2005 is detailed as follows:

Land	\$ 2,820,745
Land improvements	1,160,543
Roads and sidewalks	6,888,923
Buildings and improvements	15,836,407
Office furnishings	209,228
Other tools and equipment	2,701,380
Vehicles	<u>200,175</u>
Net Capital Assets	<u>\$ 29,817,401</u>

Long-Term Debt

At year end, the City had \$16,757,360 in bonds (general obligation and special assessment), loans, installment purchase agreements and unused vacation and sick pay – prior year debt balances were reduced by payments of \$1,724,749 during the current year. There is more detailed information about long-term liabilities in the Notes to Basic Financial Statements.

Factors Bearing on the City's Future

At the time these financial statements were prepared and audited, the City was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The City's initial General Fund budget for 2005-06 anticipates a net reduction in year end fund balance of \$397,710. This estimate reflects property tax growth within the City, continuing reductions in state shared revenues and a continuing effort to control/reduce costs within the City, while continuing to maintain a high quality of taxpayer service.

Contacting the City's Financial Management

This financial report is designed to provide the City's citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager, City of Walker, 4243 Remembrance Rd. NW, Walker, MI, 49534.

BASIC FINANCIAL STATEMENTS

CITY OF WALKER
Statement of Net Assets
June 30, 2005

	Primary Governmental Activities	Component Units
Assets		
Current Assets		
Cash	\$ 1,942	\$ -
Cash equivalents, deposits and investments (Note B)	4,206,081	365,484
Receivables:		
Income taxes	139,097	-
Accounts	35,379	-
Special assessments, current portion	60,000	-
Internal balances (Note D)	74,578	-
Due from component units	76,913	-
Due from other governmental units	902,987	-
Inventories (Note A)	166,646	-
Prepaid expenses	105,286	-
Total Current Assets	5,768,909	365,484
Noncurrent Assets		
Capital assets, net of accumulated depreciation (Note E)	29,817,401	1,830,299
Accounts receivable	-	315,100
Special assessments, net of current portion	1,615,307	-
Intangible assets (Note E)	642,931	-
Total Noncurrent Assets	32,075,639	2,145,399
Total Assets	37,844,548	2,510,883
Liabilities		
Current Liabilities		
Accounts payable	444,020	68,738
Refundable income taxes	63,739	-
Due to primary government	-	76,913
Accrued payroll	110,323	-
Accrued interest payable	116,619	14,561
Deferred revenue	1,550,850	-
Net pension liability (Note H)	252,310	-
Current portion of noncurrent liabilities (Note F)	1,336,333	238,935
Total Current Liabilities	3,874,194	399,147
Noncurrent Liabilities (Notes A, F)		
Michigan Transportation Fund bonds payable	1,210,000	-
Building authority bonds payable	13,555,000	-
Downtown development authority bonds payable	-	930,000
Special assessment bonds payable	195,000	-
Loan payable	-	265,100
Installment purchase agreements payable	192,122	240,000
Accumulated vacation pay	381,071	-
Accumulated sick leave	1,224,167	-
Current portion of noncurrent liabilities (Note F)	(1,336,333)	(238,935)
Total Noncurrent Liabilities	15,421,027	1,196,165
Total Liabilities	19,295,221	1,595,312
Net Assets		
Invested in capital assets, net of related debt	15,191,591	551,827
Restricted for:		
Roads	1,192,583	-
Debt Service	180,210	-
Unrestricted	1,984,943	363,744
Total Net Assets	\$ 18,549,327	\$ 915,571

See accompanying notes to basic financial statements.

CITY OF WALKER
Statement of Activities
For the year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants	Capital Grants	Primary Government	Component Units
Primary Government						
Governmental activities:						
General government	\$4,511,028	\$ 606,890	\$ -	\$ -	\$(3,904,138)	\$ -
Judicial court	851,564	-	-	-	(851,564)	-
Public safety	5,994,733	1,508,999	-	36,031	(4,449,703)	-
Public works	3,097,518	152,029	1,634,444	1,074,520	(236,525)	-
Community and economic development	120,409	-	-	-	(120,409)	-
Recreation and cultural	1,851,962	1,032,490	-	-	(819,472)	-
Interest on long-term debt	770,855	-	-	-	(770,855)	-
Total Primary Government	<u>\$17,198,069</u>	<u>\$3,300,408</u>	<u>\$1,634,444</u>	<u>\$1,110,551</u>	<u>(11,152,666)</u>	<u>-</u>
Component Units						
Downtown Development Authority	417,149	-	-	-	-	(417,149)
Brownfield Redevelopment Authority	83,411	-	-	-	-	(83,411)
Total Component Units	<u>\$ 500,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (500,560)</u>
General revenues:						
Income taxes					7,410,922	-
Property taxes					1,353,104	467,741
State/intergovernmental sources					2,088,709	-
Interest and investment earnings					135,159	18,247
Gain on sale of capital assets					27,951	-
Other					84,679	-
Total General Revenues					<u>11,100,524</u>	<u>485,988</u>
Change in Net Assets					(52,142)	(14,572)
Net Assets - Beginning of Year					<u>18,601,469</u>	<u>930,143</u>
Net Assets - End of Year					<u>\$ 18,549,327</u>	<u>\$ 915,571</u>

See accompanying notes to basic financial statements.

CITY OF WALKER
Balance Sheet
Governmental Funds
June 30, 2005

		Special Revenue		
	General	Major Streets	Local Streets	Improvement Revolving
Assets				
Cash	\$ 500	\$ -	\$ -	\$ -
Cash equivalents, deposits and investments (Note B)	1,711,183	897,153	121,275	504,932
Receivables:				
Income taxes	139,097	-	-	-
Accounts	15,555	-	-	200
Special assessments	-	-	-	1,618,051
Due from other funds (Note D)	277,578	19,442	8,331	1,302
Due from component units	76,913	-	-	-
Due from other governmental units	581,693	235,061	86,233	-
Inventories (Note A)	-	-	-	-
Prepaid expenditures	105,286	-	-	-
Total Assets	<u>\$ 2,907,805</u>	<u>\$ 1,151,656</u>	<u>\$ 215,839</u>	<u>\$ 2,124,485</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 193,266	\$ 124,672	\$ 41,147	\$ -
Refundable income taxes	63,739	-	-	-
Due to other funds (Note D)	7,202	-	-	-
Accrued payroll	94,471	6,365	2,728	-
Deferred revenue	-	-	-	1,611,911
Total Liabilities	<u>358,678</u>	<u>131,037</u>	<u>43,875</u>	<u>1,611,911</u>
Fund Balances				
Reserved for:				
Debt service	-	-	-	-
Unreserved:				
Designated	663,971	-	-	-
Undesignated, reported in:				
General fund	1,885,156	-	-	-
Special revenue funds	-	1,020,619	171,964	512,574
Total Fund Balances	<u>2,549,127</u>	<u>1,020,619</u>	<u>171,964</u>	<u>512,574</u>
Total Liabilities and Fund Balances	<u>\$ 2,907,805</u>	<u>\$ 1,151,656</u>	<u>\$ 215,839</u>	<u>\$ 2,124,485</u>

See accompanying notes to basic financial statements.

<u>Ice and Fitness Program</u>	<u>Other Governmental</u>	<u>Total</u>
\$ 1,442	\$ -	\$ 1,942
10,875	714,728	3,960,146
-	-	139,097
19,624	-	35,379
-	57,256	1,675,307
-	204,487	511,140
-	-	76,913
-	-	902,987
134,170	-	134,170
-	-	105,286
<u>\$ 166,111</u>	<u>\$ 976,471</u>	<u>\$ 7,542,367</u>
\$ 65,496	\$ 9,835	\$ 434,416
-	-	63,739
-	429,360	436,562
4,661	-	108,225
-	57,259	1,669,170
<u>70,157</u>	<u>496,454</u>	<u>2,712,112</u>
-	180,210	180,210
-	-	663,971
-	-	1,885,156
<u>95,954</u>	<u>299,807</u>	<u>2,100,918</u>
<u>95,954</u>	<u>480,017</u>	<u>4,830,255</u>
<u>\$ 166,111</u>	<u>\$ 976,471</u>	<u>\$ 7,542,367</u>

CITY OF WALKER
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2005

Total governmental fund balances		\$ 4,830,255
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$36,260,450 and accumulated depreciation is \$8,602,713.		27,657,737
Intangible assets reported in governmental activities are not financial resources and are not reported in the funds.		642,931
Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds: Special assessments receivable		118,320
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Michigan transportation fund bonds	(1,210,000)	
Building authority bonds	(13,555,000)	
Special assessment bonds	(195,000)	
Accumulated vacation pay	(381,071)	
Accumulated sick leave	<u>(1,196,723)</u>	(16,537,794)
Accrued interest is not included as a liability in governmental funds.		(116,619)
Net pension liability reported in the Statement of Net Assets but not in the governmental funds.		(252,310)
Internal Service Funds are included as part of governmental activities.		<u>2,206,807</u>
Total net assets - governmental activities		<u><u>\$ 18,549,327</u></u>

See accompanying notes to basic financial statements.

CITY OF WALKER
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2005

		Special Revenue		
	General	Major Streets	Local Streets	Improvement Revolving
Revenues				
Income taxes	\$ 7,410,922	\$ -	\$ -	\$ -
Property taxes	1,353,104	-	-	-
Licenses and permits	563,054	-	-	-
Federal sources	36,031	-	-	-
State sources	2,078,161	1,198,640	417,278	-
Intergovernmental sources	10,548	18,526	-	-
Charges for services	168,583	-	-	-
Fines and forfeitures	894,630	-	-	-
Interest and rentals	64,994	21,104	1,593	13,320
Other revenue	79,241	-	-	53,724
Total Revenues	12,659,268	1,238,270	418,871	67,044
Expenditures				
Current:				
General government	1,885,693	-	-	-
Judicial court	758,980	-	-	-
Public safety	5,602,706	-	-	-
Public works	367,397	999,538	451,293	-
Community and economic development	120,409	-	-	-
Recreational and cultural	453,945	-	-	-
Other	1,722,083	-	-	-
Capital outlay	20,000	608,885	138,058	4,624
Debt service:				
Principal repayment	-	60,000	-	-
Interest and fiscal charges	-	49,703	-	-
Total Expenditures	10,931,213	1,718,126	589,351	4,624
Excess (Deficiency) of Revenues Over Expenditures	1,728,055	(479,856)	(170,480)	62,420
Other Financing Sources (Uses)				
Transfers in	218,000	-	75,000	1,302
Transfers out	(1,526,805)	-	-	(15,500)
Total Other Financing Sources (Uses)	(1,308,805)	-	75,000	(14,198)
Net Change in Fund Balances	419,250	(479,856)	(95,480)	48,222
Fund Balances, July 1	2,129,877	1,500,475	267,444	464,352
Fund Balances, June 30	\$ 2,549,127	\$ 1,020,619	\$ 171,964	\$ 512,574

See accompanying notes to basic financial statements.

Ice and Fitness Program	Other Governmental	Total
\$ -	\$ -	\$ 7,410,922
-	-	1,353,104
-	-	563,054
-	-	36,031
-	-	3,694,079
-	-	29,074
777,399	51,315	997,297
-	-	894,630
228,766	29,711	359,488
26,325	296,663	455,953
<u>1,032,490</u>	<u>377,689</u>	<u>15,793,632</u>
-	-	1,885,693
-	79,300	838,280
-	-	5,602,706
-	125,800	1,944,028
-	-	120,409
1,046,748	-	1,500,693
-	-	1,722,083
-	-	771,567
-	1,040,000	1,100,000
-	721,152	770,855
<u>1,046,748</u>	<u>1,966,252</u>	<u>16,256,314</u>
<u>(14,258)</u>	<u>(1,588,563)</u>	<u>(462,682)</u>
794,075	1,582,894	2,671,271
(686,800)	(442,166)	(2,671,271)
<u>107,275</u>	<u>1,140,728</u>	<u>-</u>
93,017	(447,835)	(462,682)
2,937	927,852	5,292,937
<u>\$ 95,954</u>	<u>\$ 480,017</u>	<u>\$ 4,830,255</u>

CITY OF WALKER
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2005

Net change in fund balances - total governmental funds	\$ (462,682)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlays	\$1,158,533	
Depreciation expense	<u>(1,288,004)</u>	(129,471)

In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale(s) increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.

(67,572)

Governmental funds report intangible assets as expenditures; however in the Statement of Activities, these costs are allocated over their estimated useful lives as amortization. This is the amount by which intangible asset additions exceeded amortization in the current period.

495,898

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Special assessments

(205,760)

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets.

(230,470)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities:

Repayment of Michigan Transportation Fund bonds	60,000	
Repayment of building authority bonds	650,000	
Repayment of special assessment bonds	390,000	
Repayment of capital leases	<u>75,000</u>	1,175,000

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid.

8,195

In the Statement of Net Assets, accumulated vacation/sick pay is measured by the amount earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned (\$852,408) exceeded the amounts used/paid (\$511,401).

(341,007)

Internal Service Funds are included as part of governmental activities.

(294,273)

Total changes in net assets - governmental activities	<u>\$ (52,142)</u>
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See accompanying notes to basic financial statements.

CITY OF WALKER
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Income taxes	\$ 7,100,000	\$ 7,100,000	\$ 7,410,922	\$ 310,922
Property taxes	1,384,400	1,384,400	1,353,104	(31,296)
Licenses and permits	576,750	576,750	563,054	(13,696)
Federal sources	6,000	6,000	36,031	30,031
State sources	1,704,709	1,704,709	2,078,161	373,452
Intergovernmental sources	10,000	10,000	10,548	548
Charges for services	149,565	149,565	168,583	19,018
Fines and forfeitures	955,277	955,277	894,630	(60,647)
Interest and rentals	60,150	60,150	64,994	4,844
Other revenue	75,900	75,900	79,241	3,341
Total Revenues	12,022,751	12,022,751	12,659,268	636,517
Expenditures				
Current:				
General government:				
Legislative	62,400	62,400	59,534	2,866
City administration	616,100	616,100	635,169	(19,069)
Finance	105,200	105,200	100,511	4,689
Clerk	183,400	183,400	171,507	11,893
Treasurer	101,800	101,800	102,030	(230)
Income tax administration	246,400	246,400	235,572	10,828
Assessor	160,327	160,327	157,677	2,650
Elections	49,500	49,500	46,409	3,091
Buildings and grounds	371,000	371,000	377,284	(6,284)
Total general government	1,896,127	1,896,127	1,885,693	10,434
Judicial court:				
District court	779,439	779,439	758,980	20,459
Public safety:				
Law enforcement	4,014,015	4,014,015	4,013,797	218
Fire department	1,214,468	1,214,468	1,204,006	10,462
Inspections	386,200	386,200	384,903	1,297
Total public safety	5,614,683	5,614,683	5,602,706	11,977
Public works:				
Storm sewer drains	50,000	50,000	61,689	(11,689)
Engineering	180,750	180,750	142,440	38,310
Street lighting	165,000	165,000	163,268	1,732
Total public works	395,750	395,750	367,397	28,353
Community and economic development:				
Planning	131,300	131,300	117,132	14,168
Zoning	6,000	6,000	3,277	2,723
Total community and economic development	137,300	137,300	120,409	16,891

(Continued)

CITY OF WALKER
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Recreation and cultural:				
Parks	\$ 313,702	\$ 313,702	\$ 270,437	\$ 43,265
Recreation	183,530	183,530	168,065	15,465
Cultural	23,500	23,500	15,443	8,057
Total recreation and cultural	520,732	520,732	453,945	120,865
Other	1,640,958	1,640,958	1,722,083	(81,125)
Capital outlay	20,000	20,000	20,000	-
Total Expenditures	<u>11,004,989</u>	<u>11,004,989</u>	<u>10,931,213</u>	<u>73,776</u>
Excess of Revenues Over Expenditures	<u>1,017,762</u>	<u>1,017,762</u>	<u>1,728,055</u>	<u>710,293</u>
Other Financing Sources (Uses)				
Transfers in	200,000	200,000	218,000	18,000
Transfers out	(1,334,054)	(1,334,054)	(1,526,805)	(192,751)
Total Other Financing Sources (Uses)	<u>(1,134,054)</u>	<u>(1,134,054)</u>	<u>(1,308,805)</u>	<u>(174,751)</u>
Net Change in Fund Balances	<u>(116,292)</u>	<u>(116,292)</u>	<u>419,250</u>	<u>535,542</u>
Fund Balances, July 1	<u>2,129,877</u>	<u>2,129,877</u>	<u>2,129,877</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 2,013,585</u></u>	<u><u>\$ 2,013,585</u></u>	<u><u>\$ 2,549,127</u></u>	<u><u>\$ 535,542</u></u>

See accompanying notes to basic financial statements.

CITY OF WALKER
Major Streets Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2005

	Budget	Actual	Variance- Positive (Negative)
Revenues			
State sources	\$ 1,042,000	\$ 1,198,640	\$ 156,640
Intergovernmental sources	-	18,526	18,526
Interest and rentals	10,000	21,104	11,104
Total Revenues	<u>1,052,000</u>	<u>1,238,270</u>	<u>186,270</u>
Expenditures			
Current:			
Public works	954,513	999,538	(45,025)
Capital outlay	530,000	608,885	(78,885)
Debt service:			
Principal repayment	67,000	60,000	7,000
Interest and fiscal charges	50,000	49,703	297
Total Expenditures	<u>1,601,513</u>	<u>1,718,126</u>	<u>(116,613)</u>
Net Change in Fund Balances	(549,513)	(479,856)	69,657
Fund Balances, July 1	<u>1,500,475</u>	<u>1,500,475</u>	-
Fund Balances, June 30	<u><u>\$ 950,962</u></u>	<u><u>\$ 1,020,619</u></u>	<u><u>\$ 69,657</u></u>

See accompanying notes to basic financial statements.

CITY OF WALKER
Local Streets Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2005

	Budget	Actual	Variance- Positive (Negative)
Revenues			
State sources	\$ 345,000	\$ 417,278	\$ 72,278
Interest and rentals	1,000	1,593	593
Total Revenues	<u>346,000</u>	<u>418,871</u>	<u>72,871</u>
Expenditures			
Current:			
Public works	445,157	451,293	(6,136)
Capital outlay	130,000	138,058	(8,058)
Total Expenditures	<u>575,157</u>	<u>589,351</u>	<u>(14,194)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(229,157)</u>	<u>(170,480)</u>	<u>58,677</u>
Other Financing Sources			
Transfers in	145,177	75,000	(70,177)
Net Change in Fund Balances	<u>(83,980)</u>	<u>(95,480)</u>	<u>(11,500)</u>
Fund Balances, July 1	<u>267,444</u>	<u>267,444</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 183,464</u></u>	<u><u>\$ 171,964</u></u>	<u><u>\$ (11,500)</u></u>

See accompanying notes to basic financial statements.

CITY OF WALKER
Improvement Revolving Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2005

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Interest and rentals	\$ 13,300	\$ 13,320	\$ 20
Other revenue	-	53,724	53,724
Total Revenues	<u>13,300</u>	<u>67,044</u>	<u>53,744</u>
Expenditures			
Capital outlay	<u>95,000</u>	<u>4,624</u>	<u>90,376</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(81,700)</u>	<u>62,420</u>	<u>144,120</u>
Other Financing Sources (Uses)			
Transfers in	-	1,302	1,302
Transfers out	-	(15,500)	(15,500)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(14,198)</u>	<u>(14,198)</u>
Net Change in Fund Balances	<u>(81,700)</u>	<u>48,222</u>	<u>129,922</u>
Fund Balances, July 1	<u>464,352</u>	<u>464,352</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 382,652</u></u>	<u><u>\$ 512,574</u></u>	<u><u>\$ 129,922</u></u>

See accompanying notes to basic financial statements.

CITY OF WALKER
Ice and Fitness Program Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2005

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Charges for services	\$ 867,345	\$ 777,399	\$ (89,946)
Interest and rentals	287,200	228,766	(58,434)
Other revenue	30,200	26,325	(3,875)
Total Revenues	<u>1,184,745</u>	<u>1,032,490</u>	<u>(152,255)</u>
Expenditures			
Current:			
Recreation and cultural	<u>1,025,637</u>	<u>1,046,748</u>	<u>(21,111)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>159,108</u>	<u>(14,258)</u>	<u>(173,366)</u>
Other Financing Sources (Uses)			
Transfers in	527,242	794,075	266,833
Transfers out	<u>(686,350)</u>	<u>(686,800)</u>	<u>(450)</u>
Total Other Financing Sources (Uses)	<u>(159,108)</u>	<u>107,275</u>	<u>266,383</u>
Net Change in Fund Balances	-	93,017	93,017
Fund Balances, July 1	<u>2,937</u>	<u>2,937</u>	-
Fund Balances, June 30	<u><u>\$ 2,937</u></u>	<u><u>\$ 95,954</u></u>	<u><u>\$ 93,017</u></u>

See accompanying notes to basic financial statements.

CITY OF WALKER
Statement of Net Assets
Proprietary Fund
June 30, 2005

	<u>Internal Service</u>
Assets	
Current Assets	
Cash equivalents, deposits and investments (Note B)	\$ 245,935
Inventories (Note A)	<u>32,476</u>
Total Current Assets	<u>278,411</u>
Noncurrent Assets	
Capital assets (Note E)	5,357,478
Less accumulated depreciation	<u>(3,197,814)</u>
Total Noncurrent Assets	<u>2,159,664</u>
Total Assets	<u>2,438,075</u>
Liabilities	
Current Liabilities	
Accounts payable	9,604
Accrued expenses:	
Payroll	2,098
Vacation and sick pay	27,444
Current portion of noncurrent liabilities	<u>41,333</u>
Total Current Liabilities	<u>80,479</u>
Noncurrent Liabilities	
Installment purchase agreement payable	192,122
Less current portion	<u>(41,333)</u>
Total Noncurrent Liabilities	<u>150,789</u>
Total Liabilities	<u>231,268</u>
Net Assets	
Invested in capital assets, net of related debt	1,967,542
Unrestricted	<u>239,265</u>
Total Net Assets	<u><u>\$ 2,206,807</u></u>

See accompanying notes to basic financial statements.

CITY OF WALKER
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the year ended June 30, 2005

	Internal Service
Operating Revenues	
Equipment rental fees	\$ 414,000
Licenses and permits	24,307
Total Revenues	<u>438,307</u>
Operating Expenses	
Salaries	129,886
Supplies	13,245
Gas and oil	139,876
Uniforms	17,509
Training	4,678
Vehicle maintenance	97,784
Equipment maintenance	6,591
Equipment rental	3,220
Miscellaneous	1,227
Small equipment	2,043
Interest and fiscal charges	1,652
Depreciation	352,695
Total Operating Expenses	<u>770,406</u>
Operating Loss	<u>(332,099)</u>
Nonoperating Revenues (Expenses)	
Interest earnings	4,437
Gain on sale of capital assets	27,951
Other	5,438
Total Nonoperating Revenues (Expenses)	<u>37,826</u>
Change in Net Assets	(294,273)
Net assets, Beginning of Year	<u>2,501,080</u>
Net assets, End of Year	<u><u>\$ 2,206,807</u></u>

See accompanying notes to basic financial statements.

CITY OF WALKER
Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2005

	Internal Service
Cash Flows From Operating Activities	
Receipts from customers	\$ 438,307
Payments to suppliers	(302,250)
Payments to employees	(129,886)
	<u>6,171</u>
Net Cash Provided By Operating Activities	
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	39,690
Loan proceeds	230,470
Principal paid on long-term debt	(113,348)
Purchase of capital assets	(394,419)
	<u>(237,607)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	
Cash Flows From Investing Activities	
Interest received	<u>4,437</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(226,999)
Cash and Cash Equivalents, beginning of year	<u>472,934</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 245,935</u></u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities	
Operating loss	<u>\$ (332,099)</u>
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	352,695
Changes in assets and liabilities:	
(Increase) decrease in inventories	(7,213)
Increase (decrease) in accounts payable	1,370
Increase (decrease) in accrued expenses	(8,582)
	<u>338,270</u>
Net Cash Provided By Operating Activities	<u><u>\$ 6,171</u></u>

See accompanying notes to basic financial statements.

CITY OF WALKER
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2005

	<u>Pension Trust Fund*</u>	<u>Agency Funds</u>
Assets		
Cash equivalents, deposits and investments (Note B)	\$ 7,399,890	\$ 1,744,278
Accounts receivable	-	39,928
Accrued interest receivable	<u>56,936</u>	<u>-</u>
Total Assets	<u>7,456,826</u>	<u>\$ 1,784,206</u>
Liabilities		
Accounts payable	\$ -	\$ 3,107
Due to other funds (Note D)	-	74,578
Due to other governmental units	-	183,626
Escrow/customer deposits	<u>-</u>	<u>1,522,895</u>
Total Liabilities	<u>-</u>	<u>\$ 1,784,206</u>
Net Assets		
Held in trust for pensions	<u>\$ 7,456,826</u>	

*Reported as of July 31, 2004

See accompanying notes to basic financial statements.

CITY OF WALKER
Fiduciary Fund
Statement of Changes In Fiduciary Net Assets
For the year ended June 30, 2005

	Pension Trust Fund*
Additions	
Investment income:	
Interest and dividends	\$ 216,315
Net increase in fair value of investments	<u>129,182</u>
Net investment income	345,497
Employer contributions	<u>150,000</u>
Total Additions	<u>495,497</u>
Deductions	
Benefit payments	911,356
Administrative expenses and other	<u>19,140</u>
Total Deductions	<u>930,496</u>
Change In Net Assets	(434,999)
Net Assets, Beginning of Year	<u>7,891,825</u>
Net Assets, End of Year	<u><u>\$ 7,456,826</u></u>

*Reported as of July 31, 2004

See accompanying notes to basic financial statements.

CITY OF WALKER
Component Units
Combining Statement of Net Assets
June 30, 2005

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets			
Current Assets			
Cash equivalents, deposits and investments (Note B)	\$ 359,409	\$ 6,075	\$ 365,484
Noncurrent Assets			
Capital assets, net of accumulated depreciation (Note E)	1,830,299	-	1,830,299
Accounts receivable	50,000	265,100	315,100
Total Noncurrent Assets	1,880,299	265,100	2,145,399
Total Assets	2,239,708	271,175	2,510,883
Liabilities			
Current Liabilities			
Accounts payable	68,738	-	68,738
Due to primary government	76,913	-	76,913
Accrued interest payable	12,821	1,740	14,561
Current portion of noncurrent liabilities (Note F)	190,000	48,935	238,935
Total Current Liabilities	348,472	50,675	399,147
Noncurrent Liabilities (Notes A, F)			
Downtown development bonds payable	930,000	-	930,000
Loan payable	-	265,100	265,100
Installment purchase agreement payable	240,000	-	240,000
Less current portion of noncurrent liabilities	(190,000)	(48,935)	(238,935)
Total Noncurrent Liabilities	980,000	216,165	1,196,165
Total Liabilities	1,328,472	266,840	1,595,312
Net Assets			
Invested in capital assets, net of related debt	551,827	-	551,827
Unrestricted	359,409	4,335	363,744
Total Net Assets	\$ 911,236	\$ 4,335	\$ 915,571

See accompanying notes to basic financial statements.

CITY OF WALKER
Component Units
Combining Statement of Activities
For the year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants	Downtown Development Authority	Brownfield Redevelopment Authority	
Downtown Development Authority						
Public works	\$ 372,410	\$ -	\$ -	\$ (372,410)	\$ -	\$(372,410)
Interest expense	44,739			(44,739)	-	(44,739)
Brownfield Redevelopment Authority						
Public works	81,671	-	-	-	(81,671)	(81,671)
Interest expense	1,740	-	-	-	(1,740)	(1,740)
Total Component Units	<u>\$ 500,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(417,149)</u>	<u>(83,411)</u>	<u>(500,560)</u>
General revenues:						
Property taxes levied for:						
Downtown development authority				386,070	-	386,070
Brownfield redevelopment				-	81,671	81,671
Interest earnings				18,114	133	18,247
Total General Revenues				<u>404,184</u>	<u>81,804</u>	<u>485,988</u>
Change in Net Assets				(12,965)	(1,607)	(14,572)
Net Assets - Beginning of Year				<u>924,201</u>	<u>5,942</u>	<u>930,143</u>
Net Assets - End of Year				<u>\$ 911,236</u>	<u>\$ 4,335</u>	<u>\$ 915,571</u>

See accompanying notes to basic financial statements.

CITY OF WALKER
Component Units
Combining Balance Sheet
June 30, 2005

	Downtown Development Authority	Brownfield Redevelopment	Total
Assets			
Cash equivalents, deposits and investments (Note B)	\$ 359,409	\$ 6,075	\$ 365,484
Accounts receivable	50,000	-	50,000
Total Assets	<u>\$ 409,409</u>	<u>\$ 6,075</u>	<u>\$ 415,484</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 68,738	\$ -	\$ 68,738
Due to primary government	76,913	-	76,913
Total Liabilities	<u>145,651</u>	<u>-</u>	<u>145,651</u>
Fund Balances			
Unreserved:			
Undesignated, reported in:			
Special revenue funds	263,758	6,075	269,833
Total Fund Balances	<u>263,758</u>	<u>6,075</u>	<u>269,833</u>
Total Liabilities and Fund Balances	<u>\$ 409,409</u>	<u>\$ 6,075</u>	<u>\$ 415,484</u>

See accompanying notes to basic financial statements.

CITY OF WALKER
Component Units
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2005

	Downtown Development Authority	Brownfield Redevelopment	Total
Revenues			
Property taxes	\$ 386,070	\$ 111,571	\$ 497,641
Interest and rentals	18,114	133	18,247
Total Revenues	<u>404,184</u>	<u>111,704</u>	<u>515,888</u>
Expenditures			
Current:			
Public works	16,732	81,671	98,403
Capital outlay	1,193,178	-	1,193,178
Debt service:			
Principal repayment	150,000	29,900	179,900
Interest and fiscal charges	31,918	-	31,918
Total Expenditures	<u>1,391,828</u>	<u>111,571</u>	<u>1,503,399</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(987,644)</u>	<u>133</u>	<u>(987,511)</u>
Other Financing Sources (Uses)			
Bonds issued	605,000	-	605,000
Loan proceeds	240,000	-	240,000
Total Other Financing Sources (Uses)	<u>845,000</u>	<u>-</u>	<u>845,000</u>
Net Change In Fund Balances	(142,644)	133	(142,511)
Fund Balances, Beginning of Year	<u>406,402</u>	<u>5,942</u>	<u>412,344</u>
Fund Balances, End of Year	<u><u>\$ 263,758</u></u>	<u><u>\$ 6,075</u></u>	<u><u>\$ 269,833</u></u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

Note A – Summary of Significant Accounting Policies

The City of Walker (the “City”) is governed by a seven member elected Commission and administered by a Manager appointed by the aforementioned Commission. The City provides, or contributes to the providing of, the following services to its residents as provided by statute: public safety (police, fire, inspection), highways and streets, parks and recreation, cultural, public improvements, planning and zoning, general administrative and other services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the City’s accounting policies are described below.

1. Reporting Entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationships to the City.

59th District Court
City of Walker Building Authority
City of Walker Downtown Development Authority
City of Walker Brownfield Redevelopment Authority

Blended Component Units

Entities whose governing bodies are substantially the same as the governing body of the primary government, or those which provide services entirely, or virtually entirely, for the benefit of the primary government, are disclosed as blended component units.

The 59th District Court has been blended into the General Fund of the City’s financial statements. Although the Court operates under the direction of the district judge, it is reported as if it was part of the primary government because of the fiduciary responsibility the City retains relative to the operations of the Court.

The *City of Walker Building Authority* is governed by a five-member board that is appointed by the City Commission. Although it is legally separate from the City, it is reported as if it was part of the primary government because its primary purpose is to monitor and finance the construction of the City’s public buildings.

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the City of Walker remains financially accountable for these entities, or the nature and significance of the relationship between these entities and the City of Walker is such that exclusion of these entities would render the financial statements misleading or incomplete.

The *City of Walker Downtown Development Authority* is responsible for the improvement and ongoing maintenance and debt service of the Downtown Development Improvement District. The Authority's governing body, which consists of eight individuals, is selected by the City Commission. Separate financial statements are not prepared for the Downtown Development Authority.

The *City of Walker Brownfield Redevelopment Authority* was created to account for the redevelopment of environmentally contaminated and other underutilized sites within the City. The Authority's governing body, which consists of five individuals, is selected by the City Commission. Separate financial statements are not prepared for the Brownfield Redevelopment Authority.

2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the City as a whole. The reported information includes all of the nonfiduciary activities of the City. The City does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the City. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The City does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Income taxes, property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

The *Major Streets Special Revenue Fund* accounts for the resources of State gas and weight tax revenues that are restricted for use on major streets.

The *Local Streets Special Revenue Fund* accounts for the resources of State gas and weight tax revenues that are restricted for use on local streets.

The *Improvement Revolving Special Revenue Fund* accounts for the resources of special assessment proceeds that are used for improvements on special assessment districts.

The *Ice and Fitness Special Revenue Fund* provides a recreation facility for the residents of the City.

The City reports the following internal service fund:

The *Capital Equipment Replacement Internal Service Fund* is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or to other governments, primarily on a cost reimbursement basis. The Capital Equipment Replacement Fund rents vehicles and equipment to the police, fire and department of public works.

Additionally, the City reports the following funds:

The *Special Vice Investigation Special Revenue Fund* accounts for fines and forfeitures collected to be used for law enforcement purposes.

The *DDA Streetscape Maintenance Special Revenue Fund* accounts for special assessments levied on benefiting properties to be used for street and sidewalk improvements.

The *DDA Parking Lot Special Revenue Fund* accounts for special assessments levied on benefiting properties to be used for parking lot improvements.

The various *Debt Service Funds* account for the collections of special assessments and contributions from benefiting City funds to be used in retiring the outstanding long-term debt of the City.

The *District Court Agency Fund* accounts for fines and forfeitures collected and the disbursement to the governmental agencies entitled to the monies.

The *Trust Account Agency Fund* accounts for the collection of bonds and deposits and the payment to the governmental units or other persons entitled to receive these funds.

The *Tax Account Agency Fund* accounts for the collection of current and delinquent property taxes and the payment to the governmental units or other persons entitled to receive these funds.

The various other *Agency Funds* account for deposits and withholdings and the disbursement to the organizations and individuals entitled to the monies.

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Income taxes are recognized as revenues in the year they are collected, or deemed collectible. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with current period are all considered to susceptible to accrual and have been recognized as revenues of the current fiscal period.

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General and Special Revenue Funds are subject to legal budgetary accounting controls and are budgeted annually. The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budgets are generated with input from the City Manager, the various department heads, Clerk, Treasurer and the City Commission.

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

The completed budgets are then presented to City electors at a public budget hearing in May, at which time taxpayer comments and recommendations are heard. These operating budgets include proposed expenditures and the means of financing them for the General Fund and Special Revenue Funds.

- Prior to July 1, the budgets are legally enacted through passage of an appropriations resolution.
- The budget may only be amended by action of the City Commission.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- The original General and Special Revenue Funds budgets were not amended during the year.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level for each individual fund.

5. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

6. Inventories

Inventories, consisting of goods held for sale and maintenance supplies, are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

7. Capital Assets

Capital assets, which include land, land improvements, roads and sidewalks, buildings and improvements, vehicles, office furnishings and other tools and equipment, are reported in the government-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$2,500 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

Roads and sidewalks, land improvements, buildings and improvements, vehicles, office furnishings and tools and equipment are depreciated using the straight-line method over the following estimated useful lives:

Roads and sidewalks	5-50 years
Land improvements	5-30 years
Buildings and improvements	7-40 years
Vehicles	2-5 years
Office furnishings	5-7 years
Other tools and equipment	5-20 years

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

9. Accumulated Vacation Pay and Sick Leave

Accumulated vacation pay and sick leave at June 30, 2005 has been computed and recorded in the financial statements of the City. It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Seventy-five percent of the accumulated sick leave balance is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations at year end.

10. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a governmental unit in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a governmental unit in Michigan.

Cash Equivalents and Deposits

Depositories actively used by the City during the year are detailed as follows:

1. Chemical Bank
2. Huntington National Bank
3. Standard Federal Bank
4. Macatawa Bank
5. Mercantile Bank
6. Flagstar Bank
7. Select Bank
8. Bank of Holland

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

Balances at June 30, 2005 related to cash equivalents and deposits are detailed in the Basic Financial Statements as follows:

Primary Government:	
Governmental Funds	\$ 4,083,861
Fiduciary Funds	1,134,969
Component Units	<u>365,484</u>
	<u>\$ 5,584,314</u>

Cash equivalents consist of bank public funds checking, savings and money market accounts. Deposits consist of certificates of deposit.

June 30, 2005 balances are detailed as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Cash equivalents	\$ 3,780,907	\$ 255,838
Deposits	<u>1,437,923</u>	<u>109,646</u>
	<u>\$ 5,218,830</u>	<u>\$ 365,484</u>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to the City. Protection of City cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the City's cash equivalents and deposits was \$5,218,830 and the bank balance was \$5,866,848. Of the bank balance, \$800,000 was covered by federal depository insurance, \$2,076,885 was collateralized by a Guaranty Bond held by the pledging financial institution, and \$2,989,963 was uninsured and uncollateralized. The component units had a bank balance of \$365,484 of which \$202,472 was insured and \$163,012 was uninsured and uncollateralized.

Investments

As of June 30, 2005 the City had the following investments in its governmental and agency funds' portfolio:

Investment Pool Accounts:	
MBIA – Class	<u>\$ 731,529</u>

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

As of June 30, 2005 the City had the following investments in its Pension Trust Fiduciary Fund's portfolio:

	<u>Fair Value</u>
Cash Management Funds	\$ 450,594
Fixed Income Securities:	
U.S. Government Obligations	811,773
U.S. Government Agencies	250,017
Corporate Obligations	2,018,984
Collateralized Mortgage Obligations	79,975
Equities:	
Common Stock	3,717,147
Mutual Funds	<u>71,400</u>
	<u><u>\$ 7,399,890</u></u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the City may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City minimizes custodial credit risk by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business. All security transactions entered into by the City of Walker are required to be conducted on a delivery-versus-payment basis. Securities are required to be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

Credit Risk

The City's investments in the MBIA investment pool were unrated.

Interest Rate Risk

In accordance with its investment policy, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

Concentration of Credit Risk

The City minimizes concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by allowing no more than sixty percent (60%) of the total current investment portfolio to be invested in any one type of security, or with a single financial institution. More than 5 percent of the City's investments in its Pension Trust Fund are in U.S. Government Obligations (11%), Corporate Obligations (27%) and Common Stock (50%).

Foreign Currency Risk

The City is not authorized to invest in investments which have this type of risk.

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

Note C – General Property Taxes

Property taxes for the City become due and payable on July 1 of each year, based on the taxable valuation of property as of the preceding December 31. County taxes become due and payable on December 1 of each year. School district taxes are payable July 1 and December 1 of each year, under a split-levy system, pursuant to the Michigan School Code of 1976. All taxes are returned delinquent March 1 of the following year.

City property tax revenues are recognized in the General Fund in the fiscal year levied, to the extent they are measurable and available. The 2004 property tax roll, levied July 1, 2004, represents revenue for the fiscal year ended June 30, 2005.

The City bills and collects its own taxes in addition to taxes for the State of Michigan, Kent County, Kent District Library, Kent Intermediate School District, Grand Rapids Community College, Comstock Park Public Schools, Grandville Public Schools and Kenowa Hills Public Schools. The collection and remittance of taxes are accounted for in the Tax Account Agency Fund.

The City is permitted by statute (Act 359, Public Acts of 1947, as amended by Public Acts of 1976) to levy up to 1.5 mills of general property taxes on the taxable valuation in the City. Due to the effect of the Headlee Amendment, the actual tax levies were reduced to 1.336 mills for 2004-05 general operations.

The tax collection record of City taxes for the past year is shown in the following summary:

	<u>2004</u>
City taxes levied	\$1,153,230
Taxes collected:	
Current to March 1	1,130,699
Total to June 30, 2005	1,148,446
Percentages of collections:	
Current to March 1	98.05%
Total to June 30, 2005	99.59%

Taxable property in the City is assessed initially by the assessing official of the City. These valuations are then equalized by the County and finally by the State of Michigan. Michigan statutes provide that all ad valorem taxes be levied upon State Equalized Valuation. In accordance with Act 409, Public Acts of 1965 and Article IX, Section 3 of the Michigan Constitution, State Equalized Valuation represents 50% of true cash value. The valuations of taxable property in the City for the prior year is compared with 2005 valuations in the following summary:

<u>Year</u>	<u>Real</u>	<u>Personal</u>	<u>Total</u>
2005	\$789,099,496	\$129,222,100	\$918,321,596
2004	736,989,403	126,239,452	863,228,855

The State Equalized Valuations do not include valuation of certain facilities which are exempt under Act 198, Public Acts 1974 or Act 255, Public Acts 1978. These Acts are designed to provide stimulus in the form of significant tax incentives to industrial and commercial enterprises to renovate and expand aging facilities and to build new facilities in Michigan. Under the provisions of the Acts, a local governmental unit (city, village or township) in which the total property tax levy is at least 30 mills or in which a city income tax is levied may

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

establish rehabilitation districts and industrial development districts to encourage restoration or replacement of obsolete facilities and to attract new plants to the area.

An Industrial (Act 198) or Commercial Act (Act 255) Facilities Exemption Certificate entitles the facility to exemption from advalorem real and personal property taxes for a period of up to 12 years. In lieu of the property tax, the firm will pay a specific tax. The tax for an obsolete facility which is being restored or replaced is determined in exactly the same manner as the advalorem property tax, the important difference being that the state equalized valuation of the property remains at the level assessed on the obsolete facility prior to the improvements, even though the restoration or replacement substantially increases the true cash value of the facility. For a new facility being built in a rehabilitation or a development district, the tax is also determined the same as the advalorem property tax but instead of using the total mills levied as advalorem taxes, only half the millage rate is applied. The amount of the resulting tax thus is equal to 50% of the property tax which otherwise would be payable. The 2005 valuation of these certificates is compared with the prior year in the following exhibit.

Year	Real	Personal	Total
2005	\$47,620,300	\$48,358,350	\$95,978,650
2004	44,371,586	29,264,400	73,635,986

Note D – Due From (To) Other Funds/Transfers In(Out)

Interfund receivables, payables and transfers during the year ended June 30, 2005 were as follows:

	Due From	Due To	Transfers In	Transfers Out	Purpose
Major Funds					
General Fund:					
Special Revenue Funds:					
Major Streets Fund	\$ —	\$ 5,042	\$ —	\$ —	Reimburse expenditures
Local Streets Fund	—	2,160	—	75,000	Reimb exp., budgt. transfer
Ice Arena Fund	—	—	—	794,075	Debt service/oper. transfer
Debt Service Fund:					
1998 Debt Service Fund					
1999 Debt Service Fund	203,000	—	218,000	657,730	Debt service transfers
Fiduciary Funds:					
District Court Agency Fund	65,578	—	—	—	June, 2005 revenue transfer
Flexible Spending Fund	9,000	—	—	—	Operating cash advance
Total General Fund	277,578	7,202	218,000	1,526,805	

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

	Due From	Due To	Transfers In	Transfers Out	Purpose
Special Revenue Funds:					
Major Streets Fund:					
General Fund	5,042	—	—	—	Reimburse expenditures
DDA Streetscape Fund	14,400	—	—	—	Reimburse expenditures
Local Streets Fund:					
General Fund	2,160	—	75,000	—	Reimb exp., budgt. transfer
DDA Streetscape Fund	6,171	—	—	—	Reimburse expenditures
Improvement Revolving Fund:					
1991-A Debt Service Fund	1,302	—	1,302	15,500	Debt service transfers
Ice and Fitness Program Fund:					
1991-A Debt Service Fund	—	—	794,075	—	Debt service/oper. transfer
Ice and Fitness Program Fund	—	—	—	686,800	Debt service transfers
Total Major Funds	306,653	7,202	1,088,377	2,229,105	
Nonmajor Funds					
Special Revenue Fund:					
DDA Streetscape Fund:					
Major Streets Fund	—	14,400	—	—	Reimburse expenditures
Local Streets Fund	—	6,171	—	—	Reimburse expenditures
Debt Service Funds:					
1988 Debt Service Fund:					
1999 Debt Service Fund	—	—	—	2,367	Debt service transfer
1989 Debt Service Fund:					
1999 Debt Service Fund	—	—	—	16,010	Debt service transfer
1991-A Debt Service Fund:					
Improvement Revolving Fund	—	1,302	15,500	1,302	Debt service transfers
1996-A Debt Service Fund:					
1999 Debt Service Fund	—	204,487	—	204,487	Debt service transfer
1998 Debt Service Fund:					
General Fund	—	—	686,800	—	Debt service transfer
1999 Debt Service Fund:					
General Fund	—	203,000	657,730	218,000	Debt service transfers
1988 Debt Service Fund	—	—	2,367	—	Debt service transfer
1989 Debt Service Fund	—	—	16,010	—	Debt service transfer
1996-A Debt Service Fund	204,487	—	204,487	—	Debt service transfer
Fiduciary Funds:					
District Court Agency Fund:					
General Fund	—	65,578	—	—	June, 2005 revenue transfer
Flexible Spending Agency Fund:					
General Fund	—	9,000	—	—	Operating cash advance
Total Nonmajor Funds	204,487	503,938	1,582,894	442,166	
Total All Funds	\$ 511,140	\$ 511,140	\$2,671,271	\$2,671,271	

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government

	Balances July 1, 2004	Additions	Sales/ Retirements	Balances June 30, 2005
Capital assets not depreciated:				
Land	\$ 2,820,745	\$ —	\$ —	\$ 2,820,745
Construction in progress	273,813	—	273,813	—
Capital assets being depreciated:				
Roads and sidewalks	6,473,048	1,074,520	—	7,547,568
Land improvements	1,760,498	35,458	—	1,795,956
Buildings and improvements	21,026,700	68,104	—	21,094,804
Office furnishings	467,270	112,963	—	580,233
Other tools and equipment	6,264,648	419,399	—	6,684,047
Vehicles	1,155,404	118,357	179,186	1,094,575
Totals at historical cost	<u>40,242,126</u>	<u>\$ 1,828,801</u>	<u>\$ 452,999</u>	<u>41,617,928</u>
Less accumulated depreciation for:				
Roads and sidewalks	\$ 282,911	\$ 375,734	\$ —	\$ 658,645
Land improvements	544,557	90,856	—	635,413
Buildings and improvements	4,716,252	542,145	—	5,258,397
Office furnishings	319,180	51,825	—	371,005
Other tools and equipment	3,572,614	446,548	36,495	3,982,667
Vehicles	928,256	133,591	167,447	894,400
Total accumulated depreciation	<u>10,363,770</u>	<u>\$ 1,640,699</u>	<u>\$ 203,942</u>	<u>11,800,527</u>
Net Capital Assets	<u>29,878,356</u>			<u>\$ 29,817,401</u>

Depreciation expense was charged to City activities as follows:

General government	\$ 711,940
Judicial court	9,063
Police	212,487
Fire	140,729
Public works	223,602
Recreation and culture	342,878
	<u>\$ 1,640,699</u>

As of June 30, 2005 the City had \$642,931 in intangible assets, net of amortization. The entire balance relates to amounts paid on infrastructure not owned by the City.

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

Discretely Presented Component Units

Capital asset activity for the Downtown Development Authority (DDA) and the Brownfield Redevelopment Authority for the year ended June 30, 2005 was as follows:

	Balances July 1, 2004	Additions	Sales/ Retirements	Balances June 30, 2005
Capital assets not being depreciated:				
Land	\$ 910,364	\$ 244,014	\$ —	\$ 1,154,378
Construction in progress	20,928	599,164	—	620,092
Capital assets being depreciated:				
Roads and sidewalks	13,518	—	—	13,518
Land improvements	55,839	—	—	55,839
Totals at historical cost	1,000,649	843,178	—	1,843,827
Less accumulated depreciation for:				
Roads and sidewalks	5,472	\$ 2,504	\$ —	7,976
Land improvements	2,378	3,174	—	5,552
Total accumulated depreciation	7,850	\$ 5,678	\$ —	13,528
Net Capital Assets	\$ 992,799			\$ 1,830,299

Depreciation expense of the component units related solely to public works.

Note F –Long-Term Debt

Amounts available and to be provided for long-term debt at June 30, 2005 are summarized as follows:

	Bond Issues	Installment Purchase Agreement	Accumulated Vacation Pay	Accumulated Sick Leave	Total
Amounts Available For Retirement Of General Long-Term Debt					
Debt Service Funds	\$ 180,210	\$ —	\$ —	\$ —	\$ 180,210
Amounts To Be Provided For Retirement Of General Long-Term Debt					
General Fund	6,855,000	—	334,502	1,067,692	8,257,194
Special Revenue Funds:					
Major Streets	1,210,000	—	26,526	121,114	1,357,640
Ice and Fitness Program Fund	6,700,000	—	9,877	29,712	6,739,589
Internal Service Fund	—	192,122	10,166	5,649	207,937
Debt Service Funds	14,790	—	—	—	14,790
Total Amounts Available and To Be Provided	\$14,960,000	\$ 192,122	\$ 381,071	\$ 1,224,167	\$16,757,360

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

Changes in long-term debt for the year ended June 30, 2005 are summarized as follows:

	Debt Outstanding July 1, 2004	Debt Added	Debt Retired	Debt Outstanding June 30, 2005
<u>Primary Government</u>				
Bond Issues				
Michigan Transportation Fund (LTGO):				
June 1, 2004	\$ 1,270,000	\$ —	\$ 60,000	\$ 1,210,000
Building authority (LTGO):				
June 1, 1998	7,060,000	—	360,000	6,700,000
December 1, 1999	7,145,000	—	290,000	6,855,000
Special assessment:				
Series 1991 - A	20,000	—	20,000	—
Series 1991 - B	100,000	—	100,000	—
Series 1996 - A	235,000	—	235,000	—
Series 1996 - B	230,000	—	35,000	195,000
Installment Purchase Agreement				
April 4, 2005	—	230,470	38,348	192,122
Capital lease				
December 1, 2002	75,000	—	75,000	—
Accumulated vacation pay	386,875	350,646	356,450	381,071
Accumulated sick leave	877,356	501,762	154,951	1,224,167
Total Primary Government	17,399,231	1,082,878	1,724,749	16,757,360
<u>Discretely Presented Component Units</u>				
Bond Issues				
Downtown Development Authority:				
June 1, 1993	475,000	—	150,000	325,000
October 1, 2004	—	605,000	—	605,000
Loan				
Brownfield Redevelopment DEQ:				
March 10, 2004	295,000	—	29,900	265,100
Installment Purchase Agreement				
Downtown Development Authority:				
December 9, 2004	—	240,000	—	240,000
Total Component Units	\$ 770,000	\$ 845,000	\$ 179,900	\$ 1,435,100

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

Long-term bonds, notes and installment purchase agreements at June 30, 2005 are comprised of the following:

	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>	<u>Amount Due Within One Year</u>
<u>Primary Government</u>				
Michigan Transportation Fund Bonds (LTGO)				
\$1,270M 2004 Road Improvement:				
Annual maturities of 60M to 115M	June 1, 2019	2.90 - 4.35	\$1,210,000	\$ 65,000
Building Authority Bonds (LTGO)				
\$8,270M 1998 Ice Arena:				
Annual maturities of 380M to 650M	May 1, 2018	4.60 - 4.75	6,700,000	380,000
\$8,165M 1998 City Hall Improvement:				
Annual maturities of 305M to 640M	May 1, 2020	5.15 - 5.25	6,855,000	305,000
Special Assessment Bonds				
\$475M 1996 Water and Sewer Improvement:				
Annual maturities of 30M to 35M	Dec. 1, 2010	4.90 - 5.40	195,000	35,000
Installment Purchase Agreement				
\$230,470 2005 Fire Equipment:				
Annual maturities of 41M to 62M	June 1, 2009	4.45	<u>192,122</u>	<u>41,333</u>
Total Primary Government			<u>\$15,152,122</u>	<u>\$ 826,333</u>
<u>Discretely Presented Component Units</u>				
Downtown Development Authority Bonds (LTGO)				
\$1,550M 1993 Downtown Improvement:				
Annual maturities of 160M to 165M	May 1, 2007	4.80	325,000	160,000
\$605M 2005 Downtown Improvement:				
Annual maturities of 30M to 55M	May 1, 2020	2.30 - 4.30	605,000	30,000
Loan				
\$295M 2004 Brownfield Redevelopment DEQ:				
Annual maturities of 24M to 29M	Mar. 10, 2015	2.25	265,100	23,935
Installment Purchase Agreement				
\$240M 2005 DDA Property Purchase:				
Annual maturities of 25M to 45M	Nov. 1, 2011	4.55	<u>240,000</u>	<u>25,000</u>
Total Component Units			<u>\$ 1,435,100</u>	<u>\$ 238,935</u>

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

The annual requirements to pay principal and interest on long-term bonds and installment purchase agreement outstanding for the Primary Government are as follows:

Year Ended June 30	Principal	Interest	Total
2006	\$ 826,333	\$ 732,504	\$ 1,558,837
2007	868,198	693,835	1,562,033
2008	905,134	653,236	1,558,370
2009	962,457	610,297	1,572,754
2010	945,000	564,496	1,509,496
2011	1,000,000	519,060	1,519,060
2012	1,020,000	471,884	1,491,884
2013	1,065,000	422,840	1,487,840
2014	1,120,000	370,604	1,490,604
2015	1,180,000	317,580	1,497,580
2016	1,245,000	260,662	1,505,662
2017	1,305,000	200,592	1,505,592
2018	1,340,000	136,655	1,476,655
2019	730,000	70,889	800,889
2020	640,000	33,600	673,600
	<u>\$ 15,152,122</u>	<u>\$ 6,058,734</u>	<u>\$ 21,210,856</u>

The annual requirements to pay principal and interest on long-term bonds, loan and installment purchase agreement outstanding for the Component Units are as follows:

Year Ended June 30	Principal	Interest	Total
2006	\$ 238,935	\$ 53,159	\$ 292,094
2007	249,474	44,113	293,587
2008	85,024	33,544	118,568
2009	95,588	30,819	126,407
2010	96,163	27,655	123,818
2011	101,752	24,389	126,141
2012	112,354	20,810	133,164
2013	67,969	16,768	84,737
2014	68,599	14,698	83,297
2015	74,242	12,555	86,797
2016	45,000	10,165	55,165
2017	45,000	8,388	53,388
2018	50,000	6,565	56,565
2019	50,000	4,490	54,490
2020	55,000	2,365	57,365
	<u>\$ 1,435,100</u>	<u>\$ 310,483</u>	<u>\$ 1,745,583</u>

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

Note G – Post Employment Benefits

The City provides health care benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 34 retirees are eligible. The City includes pre-Medicare retirees in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums come due; during the year, this amounted to approximately \$101,000.

Future Reporting Change – The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (Other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. This new pronouncement will be effective for the year ending June 30, 2009.

Note H – Retirement Plans

The City maintains two separate retirement plans, as follows:

Defined Contribution Plan

The City provides pension benefits to substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City contributes 10 percent of employees’ eligible earnings, as defined in the plan document. In accordance with these requirements, the City contributed \$330,203 during the year ended June 30, 2005. In addition, employee contributions amounted to \$62,439 during the year ended June 30, 2005.

Defined Benefit Pension Plan

Plan Description

The City contributes to the City of Walker Pension Plan (the “Plan”), which is a single-employer defined-benefit pension plan that is administered by Huntington Bank. The Plan, which is closed to new participants, provides retirement and death benefits to Plan members and their beneficiaries. At August 1, 2003, the date of the actuarial valuation, membership consisted of 38 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 53 current active employees. The Plan does not issue a separate financial report.

Contributions

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Please refer to Note A for further significant accounting policies.

The funding policy, in accordance with a resolution of the City Commission, provides for periodic employer contributions at actuarially determined rates. Administrative costs of the Plan are financed through investment earnings.

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

Annual Pension Cost

For the year ended June 30, 2005, the City's annual pension cost and actual contribution was \$684,635. For the year ended June 30, 2004, the City's annual pension cost and actual contribution was \$582,637. For the years ended June 30, 2003 and 2002, the City's annual pension costs were \$894,339 and the actual contributions were equal to \$642,029 resulting in a net pension obligation of approximately \$252,000 at June 30, 2005. The annual required 2004-05 contribution was determined as part of an actuarial valuation at August 1, 2003, using the aggregate actuarial cost method. Significant actuarial assumptions include an 8.5 percent investment rate of return and projected salary increases of 4.5 percent per year, both of which include an inflation component. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility. The use of the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

Reserves

As of June 30, 2005, the Plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$994,863
Reserve for retired benefit payments	317,905

Required Supplementary Information

Three-year trend information as of August 1 follows:

	2003	2004	2005
Annual pension costs (APC)	\$524,829	\$582,637	\$684,635
Percentage of APC contributed	93%	100%	100%
Net pension obligation	252,310	252,310	252,310

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (Uaal) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll
08/01/96	\$7,505,705	\$7,505,705	\$ —	100	\$3,022,987	—
08/01/97	8,951,117	8,951,117	—	100	3,422,638	—
08/01/98	9,963,271	9,963,271	—	100	3,635,336	—
08/01/99	8,644,124	8,644,124	—	100	1,876,019	—
08/01/00	9,054,434	9,054,434	—	100	2,283,413	—
08/01/01	9,158,698	9,158,698	—	100	2,402,080	—
08/01/02	8,129,856	8,129,856	—	100	2,528,844	—
08/01/03	7,770,966	7,770,966	—	100	2,522,964	—
08/01/04	7,849,926	7,849,926	—	100	2,469,416	—

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

The schedule of employer contributions is as follows:

Fiscal Year Ended June 30	Actuarial Valuation Date	Actual Required Contribution	Percentage Contributed
1997	08/01/96	\$ 369,020	100.0
1998	08/01/97	415,186	100.0
1999	08/01/98	467,099	100.0
2000	08/01/99	465,432	100.0
2001	08/01/00	369,510	100.0
2002	08/01/01	524,829	59.0
2003	08/01/02	524,829	93.0
2004	08/01/03	582,637	100.0
2005	08/01/04	684,635	100.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of August 1, 2003, the latest actuarial valuation, follows:

Actuarial cost method	Aggregate
Amortization method	N/A
Amortization period (perpetual)	N/A
Asset valuation method	2-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	4.5%

Voluntary Early Retirement Incentive Benefit

As of February 10, 2003, the City has adopted a voluntary early retirement incentive plan whereby participants who have attained age 55 and completed five years of service, or at any age has completed 20 years of service, and who voluntarily resigns from employment will be eligible. The amount of the participant's benefit is the participant's accrued benefit as of the effective retirement date, unreduced, and will be calculated with an additional two years of credited service added to the total number of years of credited service. As of June 30, 2005, the City has not recorded an associated liability with this plan.

Note I – Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for coverage on the risk of loss related to property loss and errors and omissions. The City has purchased commercial insurance for coverage of health care claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

CITY OF WALKER
Notes to Basic Financial Statements
June 30, 2005

Note J – Stewardship, Compliance and Accountability

The following City funds had actual expenditures and transfers out exceed final budgeted figures for the year ended June 30, 2005:

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	\$12,339,043	\$12,458,018	\$ 118,975
Special Revenue Funds			
Major Streets Fund	1,601,513	1,718,126	116,613
Local Streets Fund	575,157	589,351	14,194
Ice and Fitness Program Fund	1,711,987	1,733,548	21,561

Note K – Construction Code Fees

The City oversees building construction in accordance with the State of Michigan's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall – July 1, 2004	\$ (156,652)
Current year building permit revenue	342,267
Related expenses:	
Direct costs	384,903
Estimated indirect costs	<u>55,560</u>
Total construction code expenses	<u>440,463</u>
Cumulative shortfall – June 30, 2005	<u><u>\$ (254,848)</u></u>

SUPPLEMENTAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

CITY OF WALKER
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue			
	Special Vice Investigation	DDA Streetscape Maintenance	DDA Parking Lot	1991-A
Assets				
Cash equivalents, deposits and investments	\$ 208,985	\$ 100,534	\$ 20,694	\$ 1,302
Special assessments receivable	-	14,334	3,463	-
Due from other funds	-	-	-	-
Total Assets	<u>\$ 208,985</u>	<u>\$ 114,868</u>	<u>\$ 24,157</u>	<u>\$ 1,302</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 6,792	\$ 3,043	\$ -
Due to other funds	-	20,571	-	1,302
Deferred revenue	-	14,334	3,463	-
Total Liabilities	<u>-</u>	<u>41,697</u>	<u>6,506</u>	<u>1,302</u>
Fund Balances				
Reserved for:				
Debt service	-	-	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	<u>208,985</u>	<u>73,171</u>	<u>17,651</u>	<u>-</u>
Total Fund Balances	<u>208,985</u>	<u>73,171</u>	<u>17,651</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 208,985</u>	<u>\$ 114,868</u>	<u>\$ 24,157</u>	<u>\$ 1,302</u>

Debt Service					
1991-B	1996-A	1996-B	1998	1999	Total
\$ 25,080	\$ 204,487	\$ 152,477	\$ 577	\$ 592	\$ 714,728
4,735	-	34,724	-	-	57,256
-	-	-	-	204,487	204,487
<u>\$ 29,815</u>	<u>\$ 204,487</u>	<u>\$ 187,201</u>	<u>\$ 577</u>	<u>\$ 205,079</u>	<u>\$ 976,471</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,835
-	204,487	-	-	203,000	429,360
4,738	-	34,724	-	-	57,259
<u>4,738</u>	<u>204,487</u>	<u>34,724</u>	<u>-</u>	<u>203,000</u>	<u>\$ 496,454</u>
25,077	-	152,477	577	2,079	180,210
-	-	-	-	-	299,807
<u>25,077</u>	<u>-</u>	<u>152,477</u>	<u>577</u>	<u>2,079</u>	<u>480,017</u>
<u>\$ 29,815</u>	<u>\$ 204,487</u>	<u>\$ 187,201</u>	<u>\$ 577</u>	<u>\$ 205,079</u>	<u>\$ 976,471</u>

CITY OF WALKER
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2005

	Special Revenue			
	DDA			
	Special Vice Investigation	Streetscape Maintenance	DDA Parking Lot	1988
Revenues				
Charges for services	\$ 51,315	\$ -	\$ -	\$ -
Interest and rentals	3,702	2,272	978	506
Other revenue	-	88,961	55,666	-
Total Revenues	55,017	91,233	56,644	506
Expenditures				
Current:				
Judicial court	79,300	-	-	-
Public works	-	79,590	46,210	-
Debt service:				
Principal repayment	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	79,300	79,590	46,210	-
Excess (Deficiency) of Revenues Over Expenditures	(24,283)	11,643	10,434	506
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(2,367)
Total Other Financing Sources (Uses)	-	-	-	(2,367)
Net Change in Fund Balances	(24,283)	11,643	10,434	(1,861)
Fund Balances, July 1	233,268	61,528	7,217	1,861
Fund Balances, June 30	\$ 208,985	\$ 73,171	\$ 17,651	\$ -

Debt Service							
1989	1991-A	1991-B	1996-A	1996-B	1998	1999	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,315
1,128	553	1,499	13,226	3,995	352	1,500	29,711
-	5,723	5,651	135,223	5,439	-	-	296,663
1,128	6,276	7,150	148,449	9,434	352	1,500	377,689
-	-	-	-	-	-	-	79,300
-	-	-	-	-	-	-	125,800
-	20,000	100,000	235,000	35,000	360,000	290,000	1,040,000
-	1,300	3,112	7,050	11,100	326,575	372,015	721,152
-	21,300	103,112	242,050	46,100	686,575	662,015	1,966,252
1,128	(15,024)	(95,962)	(93,601)	(36,666)	(686,223)	(660,515)	(1,588,563)
-	15,500	-	-	-	686,800	880,594	1,582,894
(16,010)	(1,302)	-	(204,487)	-	-	(218,000)	(442,166)
(16,010)	14,198	-	(204,487)	-	686,800	662,594	1,140,728
(14,882)	(826)	(95,962)	(298,088)	(36,666)	577	2,079	(447,835)
14,882	826	121,039	298,088	189,143	-	-	927,852
\$ -	\$ -	\$ 25,077	\$ -	\$ 152,477	\$ 577	\$ 2,079	\$ 480,017

CITY OF WALKER
Special Vice Investigation Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2005

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Charges for services	\$ 50,000	\$ 51,315	\$ 1,315
Interest and rentals	3,000	3,702	702
Total Revenues	53,000	55,017	2,017
Expenditures			
Current:			
Judicial:			
District court	80,000	79,300	700
Net Change in Fund Balances	(27,000)	(24,283)	2,717
Fund Balances, July 1	233,268	233,268	-
Fund Balances, June 30	<u>\$ 206,268</u>	<u>\$ 208,985</u>	<u>\$ 2,717</u>

CITY OF WALKER
DDA Streetscape Maintenance Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2005

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Interest and rentals	\$ 1,400	\$ 2,272	\$ 872
Other	92,000	88,961	(3,039)
Total Revenues	93,400	91,233	(2,167)
Expenditures			
Current:			
Public works	88,000	79,590	8,410
Net Change in Fund Balances	5,400	11,643	6,243
Fund Balances, July 1	61,528	61,528	-
Fund Balances, June 30	\$ 66,928	\$ 73,171	\$ 6,243

CITY OF WALKER
DDA Parking Lot Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2005

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Interest and rentals	\$ 500	\$ 978	\$ 478
Other	50,000	55,666	5,666
Total Revenues	50,500	56,644	6,144
Expenditures			
Current:			
Public works	50,000	46,210	3,790
Net Change in Fund Balances	500	10,434	9,934
Fund Balances, July 1	7,217	7,217	-
Fund Balances, June 30	\$ 7,717	\$ 17,651	\$ 9,934

AGENCY FUNDS

District Court Agency—to account for fines and forfeitures collected and the disbursement to the governmental agencies entitled to the monies.

Trust Account Agency—to account for the collection of bonds and deposits and payment to the governmental units or other persons entitled to receive these funds.

Tax Account Agency—to account for the collection of current and delinquent property taxes and payment to the governmental units or other persons entitled to receive these funds.

Flexible Spending Agency—to account for the collection of employee payroll withholding to be used for medical expense reimbursements.

Other Agency—to account for the collection of various monies to be disbursed to the organizations and individuals entitled to the monies.

CITY OF WALKER
All Agency Funds
Combining Schedule of Changes in Assets and Liabilities
For the year ended June 30, 2005

	Balances July 1, 2004	Receipts	Disbursements	Balances June 30, 2005
District Court				
<i>Assets</i>				
Cash equivalents, deposits and investments	\$ 148,432	\$ 1,414,949	\$ 1,425,993	\$ 137,389
<i>Liabilities</i>				
Bond and escrow deposits	\$ 18,751	\$ 193,550	\$ 179,265	\$ 33,037
Due to other funds	95,771	65,578	95,771	65,578
Due to other governmental units	33,910	1,155,821	1,150,957	38,774
Total Liabilities	\$ 148,432	\$ 1,414,949	\$ 1,425,993	\$ 137,389
Tax Account				
<i>Assets</i>				
Cash equivalents, deposits and investments	\$ 144,106	\$ 32,333,309	\$ 32,332,331	\$ 145,084
<i>Liabilities</i>				
Accounts payable	\$ 325	\$ 292	\$ 386	\$ 232
Due to other governmental units	143,781	32,333,017	32,331,946	144,852
Total Liabilities	\$ 144,106	\$ 32,333,309	\$ 32,332,331	\$ 145,084
Trust Account				
<i>Assets</i>				
Cash equivalents, deposits and investments	\$ 3,531,068	\$ 2,368,169	\$ 4,455,369	\$ 1,443,868
Accounts receivable	-	39,928	-	39,928
Total Assets	\$ 3,531,068	\$ 2,408,097	\$ 4,455,369	\$ 1,483,796
<i>Liabilities</i>				
Bond and escrow deposits	\$ 3,531,068	\$ 2,408,097	\$ 4,455,369	\$ 1,483,796
Flexible Spending				
<i>Assets</i>				
Cash equivalents, deposits and investments	\$ 11,917	\$ 61,102	\$ 61,144	\$ 11,875
<i>Liabilities</i>				
Accounts payable	\$ 2,917	\$ 61,102	\$ 61,144	\$ 2,875
Due to other funds	9,000	-	-	9,000
Total Liabilities	\$ 11,917	\$ 61,102	\$ 61,144	\$ 11,875
Other				
<i>Assets</i>				
Cash equivalents, deposits and investments	\$ 6,753	\$ 10,773	\$ 11,463	\$ 6,062
<i>Liabilities</i>				
Bond and escrow deposits	\$ 6,753	\$ 10,773	\$ 11,463	\$ 6,062

(Continued)

CITY OF WALKER
All Agency Funds
Combining Schedule of Changes in Assets and Liabilities
For the year ended June 30, 2005

	<u>Balances</u> <u>July 1, 2004</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balances</u> <u>June 30, 2005</u>
Totals - All Agency Funds				
<i>Assets</i>				
Cash equivalents, deposits and investments	\$ 3,842,276	\$ 36,188,302	\$ 38,286,300	\$ 1,744,278
Accounts receivable	-	39,928	-	39,928
<i>Total Assets</i>	<u><u>\$ 3,842,276</u></u>	<u><u>\$ 36,228,230</u></u>	<u><u>\$ 38,286,300</u></u>	<u><u>\$ 1,784,206</u></u>
<i>Liabilities</i>				
Accounts payable	\$ 3,242	\$ 61,394	\$ 61,530	\$ 3,107
Due to other funds	104,771	65,578	95,771	74,578
Due to other governmental units	177,691	33,488,838	33,482,903	183,626
Bond and escrow deposits	3,556,572	2,612,420	4,646,097	1,522,895
<i>Total Liabilities</i>	<u><u>\$ 3,842,276</u></u>	<u><u>\$ 36,228,230</u></u>	<u><u>\$ 38,286,300</u></u>	<u><u>\$ 1,784,206</u></u>

OTHER INFORMATION

CITY OF WALKER
Summary of 2004 Taxes Levied and Collected
For the year ended June 30, 2005

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current * Collections</u>
Ad Valorem Taxes					
Kent County					
Operating	\$863,228,855	5.3140	\$ 4,587,067	\$135,816	\$ 4,451,251
Kent District Library	863,228,855	0.8800	759,600	22,490	737,110
ITP Transit	863,228,855	0.9500	820,027	16,061	803,966
State Education Tax					
Comstock Park Public Schools	10,717,741	6.0000	64,306	1,944	62,362
Grandville Public Schools	150,678,373	6.0000	904,063	20,742	883,321
Kenowa Hills Public Schools	701,832,741	6.0000	4,210,977	78,762	4,132,215
			<u>5,179,346</u>	<u>101,448</u>	<u>5,077,898</u>
School Districts					
Kent Intermediate School District	863,228,855	4.5333	3,913,231	76,648	3,836,583
Grand Rapids Community College	863,228,855	1.7865	1,542,115	30,205	1,511,910
Comstock Park Public Schools:					
Other	10,717,741	8.1620	87,477	2,645	84,832
Operating	4,800,894	18.0000	86,416	5,832	80,584
Grandville Public Schools:					
Other	150,678,373	6.1130	921,086	21,067	900,019
Operating	47,298,990	17.9424	851,380	28,099	823,281
Kenowa Hills Public Schools:					
Other	701,832,741	3.6000	2,526,575	47,257	2,479,318
Operating	446,203,410	17.8254	8,031,656	172,749	7,858,907
Total School Districts			17,959,936	384,502	17,575,434
City of Walker					
Operating	863,228,855	1.3360	1,153,230	22,531	1,130,699
DDA assessments			21,315	8,441	12,874
Special assessments			5,325	280	5,045
Delinquent sewer and water charges			14,056	7,951	6,105
Tax administration fees			152,412	3,119	149,293
Total City			<u>1,346,338</u>	<u>42,322</u>	<u>1,304,016</u>
Total Ad Valorem Taxes			<u><u>\$30,652,314</u></u>	<u><u>\$702,639</u></u>	<u><u>\$29,949,675</u></u>

(Continued)

CITY OF WALKER
Summary of 2004 Taxes Levied and Collected
For the year ended June 30, 2005

Tax Abatements	Taxable Valuation	Rate (Mills)	Taxes Levied	Returned Delinquent	Current * Collections
Kent County	\$ 73,635,986	2.65700	\$ 196,188	\$ 4,437	\$ 191,751
Kent District Library	73,635,986	0.44000	32,488	735	31,753
ITP Transit	73,635,986	0.47500	35,073	793	34,280
State education tax:					
Kenowa Hills Public Schools	67,176,613	6.00000	403,060	8,801	394,259
Kent Intermediate School District	73,635,986	2.26665	167,366	3,785	163,581
Grand Rapids Community College	73,635,986	0.89325	65,956	1,491	64,465
Kenowa Hills Public Schools:					
Operating	73,635,986	1.80000	132,910	3,005	129,905
Other	73,635,986	8.91270	704,397	15,029	689,368
City of Walker:					
Operating	73,635,986	0.66800	49,324	1,115	48,209
Tax administration fees			8,932	196	8,736
Total Tax Abatements			\$ 1,795,694	\$ 39,387	\$ 1,756,307

* Current collections include ad valorem and abated taxes collected for and distributed to the City of Walker Downtown Development Authority and Brownfield Redevelopment. The following amounts were withheld from the various taxing units and remitted to the above referenced entities:

Kent County	\$ 141,609
Kent District Library	23,450
ITP Transit	25,316
State Education Tax	45,865
Grand Rapids Community College	47,607
Kent Intermediate School District	34,530
Grandville Public Schools	102,816
Kenowa Hills Public Schools	40,847
City of Walker:	
Operating	35,602
Total captures	\$ 497,642

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A s A N D C O N S U L T A N T S

December 2, 2005

The City Commission
City of Walker
Kent County, Michigan

The following comments pertain to our audit of the financial records of the City of Walker as of and for the year ended June 30, 2005. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected misstatements (passed audit adjustments).

The communications specified by the Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the City's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of the City of Walker.

Auditors Responsibility Under Generally Accepted Auditing Standards

We conducted our audit in accordance with Generally Accepted Auditing Standards (GAAS). Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. We are required by GAAS to obtain a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing and extent of tests to be performed. The purpose of the audit was to report on the financial statements and not to provide assurance on the internal control structure. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Walker are described in Note A of the Notes to Basic Financial Statements.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in auditing the records of the City for the year ended June 30, 2005. City personnel in both the Finance and Treasurer's departments are maintaining a timely, accurate and efficient record keeping system.

Significant Audit Adjustments

During the course of our audit the following adjustments of a significant nature were made to the accounting records of the City to bring the balances to those presented in the financial statements. The adjustments required were those typically made in prior years as a part of the audit process. These adjustments have been entered into the City's computer accounting system by City accounting personnel to bring City records into agreement with audited balances.

General Fund

1. \$325,015 to record the amount receivable from the State of Michigan for the May/June, 2005 revenue sharing payment.

1999 Debt Service Fund

1. \$665,000 to reclassify the entry made to pay an inter-fund transfer due at June 30, 2004.

There were no adjustments proposed during the audit not recorded by City of Walker.

Suggestions And Recommendations

We offered suggestions and recommendations regarding the day-to-day operations of the City computer and accounting systems to the City Manager, City Accountant, Treasurer, and accounting personnel of the City as the topics arose during the course of our audit field work. Hopefully, these suggestions will improve the operations of the City and assist in more efficient monthly and year end financial record keeping and reporting.

* * * * *

This communication is intended solely for the information and use of the City of Walker Commission, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to the City of Walker and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the City Manager, City Accountant, Treasurer and accounting personnel in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communication, we will be happy to address them.

Hungerford, Alden, Nichols & Martin, P.C.

Certified Public Accountants